



## RETIRING SAFELY: Demystifying Retirement Benefits Controversies

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Presentation During ICPAK Webinar

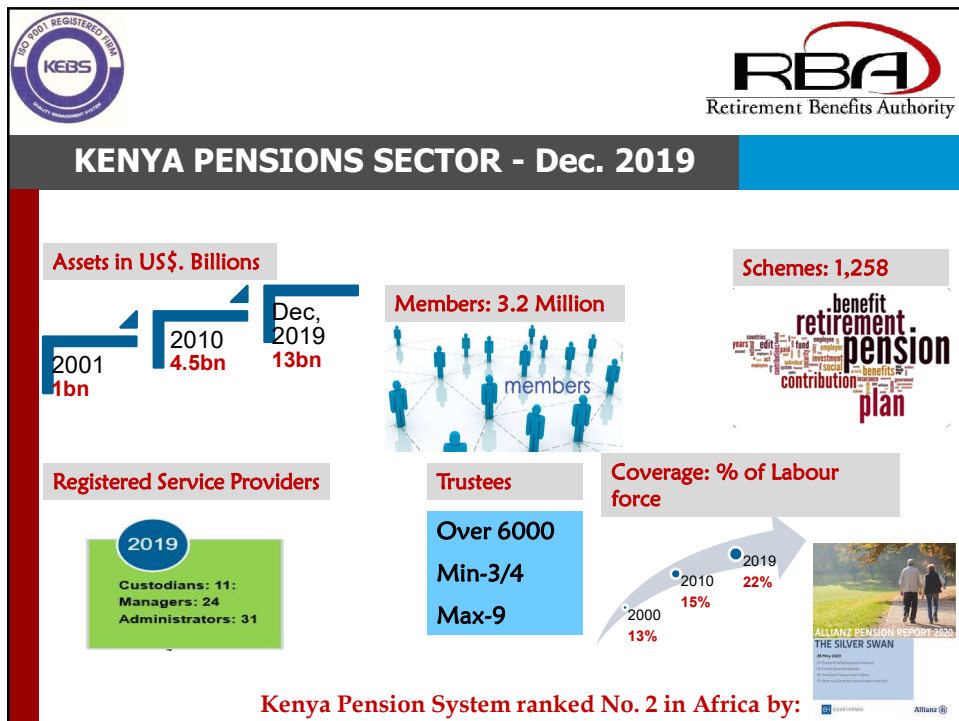
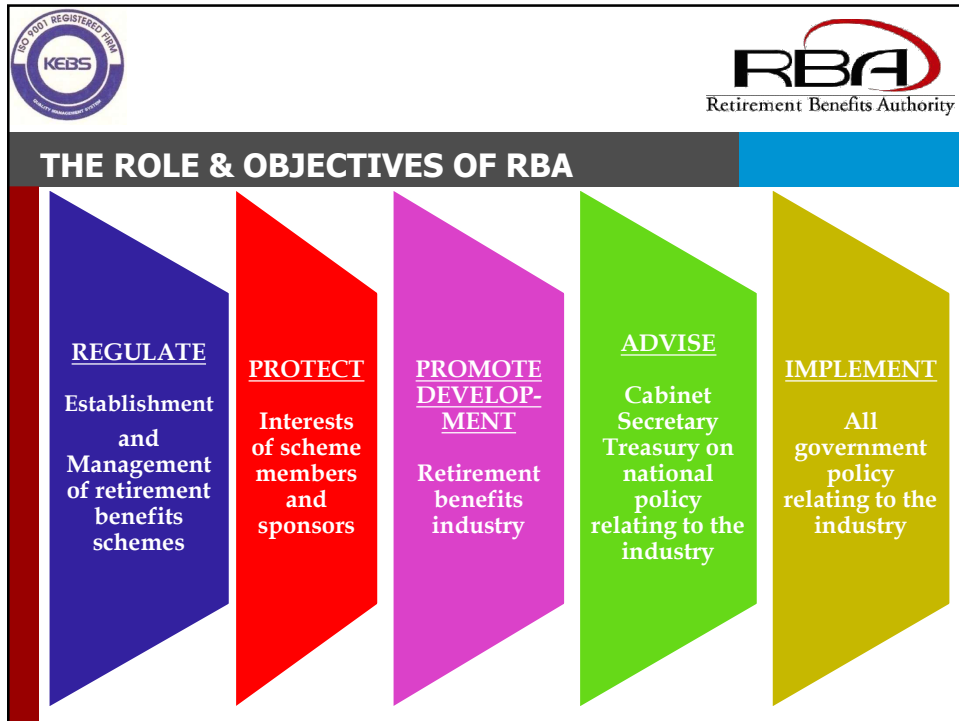
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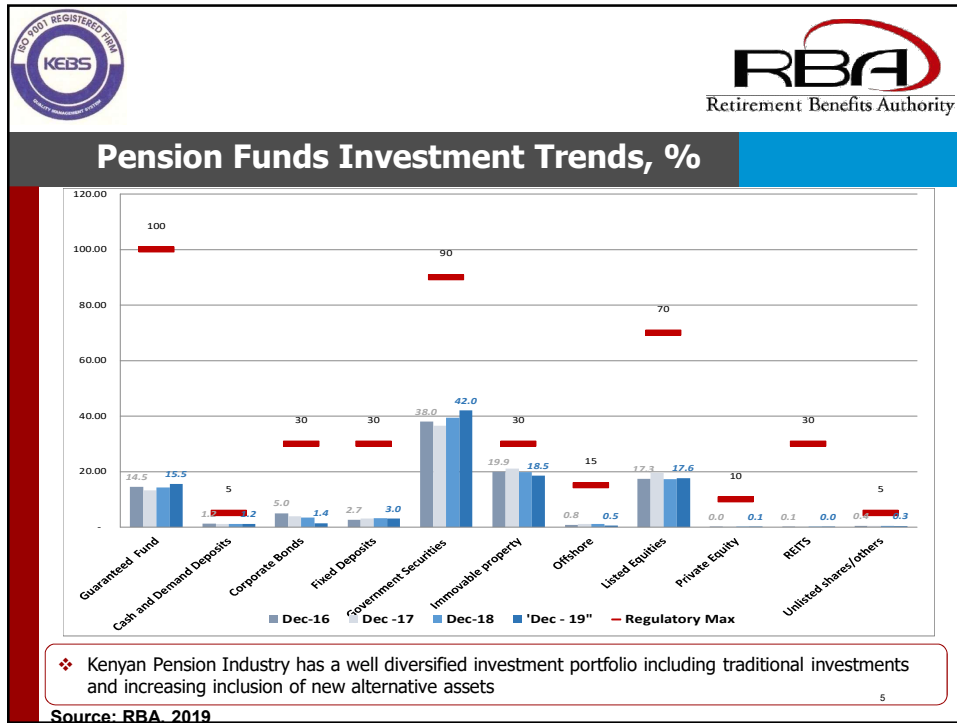


## OUTLINE

- The Regulator
- Pensions Industry at a glance
- Scheme types
- Why saving for retirement matters
- Accessing benefits and your rights
- Recent developments worth noting
- Tips: preparing for retirement





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**SCHEME TYPES**

- ❑ NSSF
- ❑ Occupational Scheme
- ❑ Individual Pension Plan /Scheme
- ❑ Umbrella Scheme
- ❑ (Any one can join provided you earn an income)






## Why save for Retirement?

- ❑ Immediately you start working, your journey to retirement has started.
- ❑ Traditional system for care of aged is dying out
- ❑ Urbanization of lifestyles means it is no longer possible to rely on family unit to take care of aged- *Children should not be your retirement plan,*
- ❑ Make arrangements during working life to care for basic necessities like food, shelter, clothing and health in old age

Cessation of work is not accompanied by cessation of expenses- Cato



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## Benefits of Saving Through a Pension Scheme

- ❑ Schemes registered with the KRA, enjoy tax-free contributions of up to Kshs. 20,000 per month. (240,000 p.a.)
- ❑ Where one transfers gratuity to a registered Scheme the tax exempt amount is Kshs 240,000 per year (i.e. 20,000/= per month).
- ❑ Investment income of the scheme is exempt from corporation tax.
- ❑ Access to Pension Backed Mortgage
- ❑ Monthly pension of Kshs. 25,000/= is exempt from tax.
- ❑ **Members 65 years or more, receive monthly pension tax free.**



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## WHY ESTABLISH A SCHEME –EMPLOYER PERSPECTIVE

- 1. Attracting and retention of skilled manpower**
  - ❖ Potential employees are keen on retirement packages
- 2. To reward and motivate workers**
  - ❖ Workers who are well catered for tend to execute the employers mission more effectively
- 3. Image of employer**
  - ❖ Employers with pension arrangements in place are often viewed with more goodwill than those without



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## WHY ESTABLISH A SCHEME: EMPLOYEE PERSPECTIVE


- ❑ Provide Basic / Reasonable Income after working life
- ❑ Prevent Old Age Poverty
- ❑ Provide contingency funds in cases of ill health, death or Avoid serious disruptions of living standards in retirement
- ❑ Safety net upon loss of employment e.g the current Covid-19 pandemic
- ❑ Offers financial protection to dependants
- ❑ Use accrued benefits to secure mortgage

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## MEMBERS RIGHTS....

- ❑ Payment within 30 days
- ❑ Transfers within 60 days
- ❑ Options on exit; cash/defer/transfer
- ❑ Access & interrogate scheme documentation
- ❑ Attend AGMs
- ❑ Annual benefit statements
- ❑ Nominate beneficiaries



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## WHEN ARE YOU ENTITLED TO YOUR BENEFITS?

Circumstances in which retirement benefits are payable

- ❑ Resignation;
- ❑ Dismissal;
- ❑ Retrenchment or redundancy;
- ❑ Ill health;
- ❑ Retirement - Early, Normal or Late Retirement;
- ❑ Death – benefits payable to dependants;
- ❑ Emigration.



Note - You risk eroding your social security benefits, e.g., early access to pension benefits when changing jobs.

## YOU SHOULD KNOW

- ❑ Scheme funds cannot be **used to make direct or indirect loans**;
- ❑ Member benefits are **non assignable, except** for purposes of securing a mortgage loan;
- ❑ Where a **judgment or order** is issued against a member; no execution, or attachment of any nature shall be issued against the benefits of a member;
- ❑ **In bankruptcy-** benefits do not form part of the assets of the scheme;
- ❑ **In the event of death-** benefits of a deceased member do not form part of the estate of the deceased for purposes of administration;



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## Some Recent Developments

- ❑ Section 38 of the Retirement Benefits Act amended to allow members of retirement benefits schemes to use a portion of their accrued benefits to purchase a residential house. Up to 40 percent of your savings capped at sh7m
- ❑ Post Retirement Medical Fund Guidelines gazetted allowing members to save for medical after retirement within the scheme during working life.
- ❑ Scheme Governance and Treating Customer Fairly guidelines gazetted to strengthened member protection
- ❑ Proposed taxation to the over 65 years old was rescinded, if you can delay access till 65 the better- to avoid the tax during access


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## RBA IS THERE FOR YOU...

- ❑ RBA continually supervises all schemes and receives quarterly and annual submissions from the trustees and service providers through our online portal
- ❑ RBA will calculate a risk score for your scheme between 1 - 5 based on 34 risk indicators covering Governance, Prudential and Market Conduct factors - In case of high risk score RBA will take supervisory action against your scheme
- ❑ In case you have a problem with your scheme or service provider you can file a complaint to RBA. You can use our online complaints reporting portal or email or in person
- ❑ You can whistle blower anonymously through our secure portal
- ❑ RBA will provide free retirement preparation training for you as a scheme member
- ❑ RBA will attend your scheme AGM, Member Education Days and other events
- ❑ Anyone dissatisfied with a decision of RBA can appeal to the Independent Retirement Benefits Appeal Tribunal

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## PREPARE FOR YOUR RETIREMENT- THE TIPS

**“The best time to start thinking about your retirement is before the boss does.  
Author Unknown ”**

As you near retirement, start planning on what you shall do with your 'extra time'- Retire into something



Before you retire, clear all your loans

Acclimatize with your new home if you intend to relocate- avoid village shock... be close to friends, relatives--- they will be your support system

Attend retirement planning seminars- RBA offers them free

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# Asante

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